



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL

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January 15, 2004

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2004-35

TO: All ISIS HR Paid Agencies

FROM: Jena W. Cary
Director

SUBJECT: OSUP Policy on Annual Leave Buy-Back and Annual Leave Paid in Error

This memo replaces OSUP Memo #2002-54, Buy Back of Annual Leave. Agencies should no longer use OSUP Memo #2002-54 for procedures on handling this process.

Two separate and distinct situations can occur involving annual leave paid out that needs to be recovered.

1. **Employee Returns to Work** - This situation involves employees who are paid annual leave at separation and are later reemployed and the number of leave hours paid is greater than the hours of separation. According to Civil Service Rule 11.10(e), "when an employee who has resigned or retired and has been paid accumulated annual leave is reemployed in a classified position, the employee **must** pay back to the new (or current) agency the value of annual leave at the rate paid less the value of working hours for which he has been paid which intervene between the last day worked and the date of reemployment and shall be given credit for the number of hours of annual leave for which he has made reimbursement". Executive Order MJF 98-23 Sections 9 and 10 govern unclassified employees who are reemployed into a classified or unclassified position. Since the original payout was not an error, the master data **must not** be corrected to delete the payout. Agencies should follow ISIS HR On-Line Help for instructions on the following two options for recouping the leave payment from the employee:
 - **Collect the Money through Deductions in ISIS HR** - Utilize wage type 0119, Recoup Term Pay for O/P, to recoup the full amount or to set up a payment plan. Note: Payment plans should begin immediately upon the employee's return to work and must not exceed 12 months. Agencies must have approval from OSUP to establish payment plans that exceed 12 months. If this option is used, the agency must transfer the funds recouped each pay period to INA via an AFS JV (see note below). The agency must also process a quota correction to increase the annual leave after each pay period during the recoupment period.
 - **Recoup via Personal Check** – If this option is used, agencies must contact OSUP immediately. The employee must pay the new (or current) agency the Gross amount, that is, the rate of pay at the time the leave was paid times the number of hours to be credited. Upon receipt of the funds, the agency must deposit the funds as INA (see note below) through AFS. Once this deposit is verified, OSUP will notify the agency to establish the leave hours purchased (process a quota correction) on the employee record in ISIS HR. At that time, OSUP WTA Unit will process an adjustment to the employee record that will update gross wages paid in that year, and refund any applicable Medicare or Social Security taxes in a subsequent payroll payment. Federal and state income taxes will not be refunded. However, federal and state taxable wages reported on the W-2 will be reduced by this repayment of gross wages.

NOTE: If the employee returns to work for the same agency and the money is deposited in the same fiscal year, these funds can be classified as Return of Appropriation.

Civil Service Provisions Regarding Annual Leave Buy Back Upon Return to Work:

Civil Service has advised this office that, because of the buy-back provision within the rules, an agency will meet the intent of the rules if the agency chooses to withhold payment of the annual leave upon separation, in those cases where an employee is going to return to work with the same agency with no break in service (the next work day).

Civil Service has also advised that if there will be a break in service of less than 300 hours of work time (for instance, a break of one week), then the intent of the rules is met if the agency pays the employee ONLY for the intervening days (for instance, for a break of one week, the employee would be paid for 40 hours of annual leave).

Note: In the above situation, it would not be necessary to pay annual leave if the employee was rehired and placed on annual leave for 40 hours (no break in service). Additionally, when there is no break in service, an employee who was not subject to Medicare tax withholding prior to retiring/resigning from an ISIS HR Paid agency, would not be subject to Medicare tax when rehired by an ISIS HR Paid agency.

For clarification of leave payment rules, please contact the Department of Civil Service.

2. **Employee is Paid Annual Leave in Error** - This situation occurs when an employee was paid annual leave in error, for example the losing agency was not aware that the employee was transferring and incorrectly paid out leave. If this situation occurs, the gaining agency notifies the losing agency, who then must correct the master data. Note: The amount collected will be credited to the losing agency. Contact the ISIS HR Help Desk for assistance in correcting the master data. Once the master data has been changed, ISIS HR will automatically credit the leave to the employee and establish a claim for the overpaid leave. The following two options are available for recouping the leave payment from the employee:
 - **Collect the Money through Deductions in ISIS HR** – Contact the ISIS HR Help Desk for assistance in establishing a payment plan. Note: payment plans should begin immediately upon the employee's return to work and must not exceed 12 months. Agencies must have approval from OSUP to establish payment plans that exceed 12 months. It is very important to note that, if the employee separates before all of the money is recouped, agencies must contact the ISIS HR Help Desk for assistance in adjusting the final payment and/or setting up a claim for the balance due.
 - **Recoup via Personal Check** – Agencies must contact OSUP for approval to recoup the overpaid leave via personal check. If approved, agencies will work with the ISIS HR Help Desk for assistance in correcting the master data.

Attached is a flowchart summarizing the information above. This should assist agencies when determining how to handle buy back of annual leave.

Any questions should be directed to a member of the Wage and Tax Administration Unit:

Tiko Ary	342-1652	Wendy Eggert	219-0191
Rachel Bryant	342-1651	Chelette Jarrett	342-0714

JWC:RJB:kmb

[Attachment](#)

Attachment to OSUP MEMORANDUM # 2004-35

